

Executive Registry
70-3411

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Proposed CIA Retirement Act Amendments

1. This memorandum is for your information only.
2. The attached legislative package proposing amendments to the CIA Retirement Act combines the submissions of the Director of Personnel and the Director of Finance. These and other proposals have been reviewed by all concerned components and the attached package was agreed upon at a meeting in the Office of the DD/S at which representatives of OGC, OPPB, OF, OP, and OLC were present.
3. The proposed package includes 11 items which are described briefly with their history in Tab A. Items 1 through 6 were cleared previously twice by the Bureau of the Budget for transmittal to the 89th and 90th Congresses. In 1966 they were approved by the House Armed Services Committee and passed by the House. Additional information concerning them is contained in Tab B. Items 7 and 8 are new proposals which would:
  - a. Increase the present ceiling on the number of retirements.
  - b. Liberalize the provisions regarding prior service credit.

More information on them is contained in Tab C.

4. Items 9, 10, and 11 constitute a program for assuring that the CIA Fund has adequate resources to meet future financial requirements. The Fund will be depleted in 1990 if we continue to rely solely upon present employee/Agency contributions, transfer of employee contributions and interest income. The proposals concerning funding are explained in Tab D.

5. The Bureau of the Budget has requested the Agency to submit recommendations concerning the financing of the system's present and future funding deficiencies using the results of the recently completed actuarial study of the CIA system. The proposed financing program is in response to this request.

6. The amendments proposed by the Director of Personnel (items 1 through 8) will have a negligible cost impact on the CIA Fund, but BOB could insist, quite rightly, on reviewing financing proposals in conjunction with or before considering any other changes in the CIA Retirement System.

7. It was agreed at the above mentioned meeting held by the DD/S that we would not recommend:

a. Reduction in age (62 to 60) for commencement of a discontinued annuity.

b. An increase (35 to 40) in the maximum number of years to be used in computing an annuity. You may recall that this item was cleared for transmittal to the 90th Congress.

8. It is recommended that the Director approve the submission of the attached legislative program to the Bureau of the Budget for clearance prior to transmittal to the 91st Congress by signing the transmittal letters to the Speaker and the President of the Senate.

25X1

JOHN M. MAURY  
Legislative Counsel

Att

TAB

A

Item	Purpose	CIA Retirement Act Section	Precedent	Previous Action
5.	Authorize annuity for retiree to begin as soon as he enters non-pay status.	Sec. 221(g)	Civil Service 5 U.S.C. 8345 over- coming 5 U.S.C. 8301	89th Congress: Cleared BOB, passed House (H.R. 16306, Sec. 205). 90th Congress: Cleared BOB, introduced in H.R. 7315
6.	Authorize CIA annuitant to be reemployed in the Federal Government and to retain the salary of the new position plus so much of his annuity which when added to his new salary will not exceed his salary at the time of retirement.	Sec. 273(a)	Foreign Service Act Sec. 872	89th Congress: Cleared BOB, passed House (H.R. 16306, Sec. 207). 90th Congress: Cleared BOB, introduced in H.R. 7315
25X1 7.	Increase from <span style="border: 1px solid black; display: inline-block; width: 80px; height: 1.2em; vertical-align: middle;"></span> the present limitation on retirements from 1 July 1969 through 30 June 1974.	Sec. 236	<u>Not involved</u>	None
8.	Provide an option to participant who has prior creditable service not covered by retirement to use the time in computing his annuity but reduce the annuity by 10 per cent of the sum due to cover the service if he decides not to make the deposit.	Sec. 252(b)	Civil Service 5 U.S.C. 8339(h)	None

Item	Purpose	CIA Retirement Act Section	Precedent	Previous Action
9.	Permit direct transfer of retirement funds--employee and Government--from other retirement funds to the CIARDS and from the CIARDS to other funds.	Sec. 206	None	89th Congress: Cleared BOB, passed House (H.R. 16306, Sec. 206). 90th Congress: Cleared BOB, introduced in H.R. 7315
10.	Direct transfer by Treasury to the Fund of interest on unfunded liability and the cost of annuity payments attributable to military service.	Sec. 101	Civil Service and Foreign Service, P.L. 91-93 & P.L. 91-201	None
11.	Appropriation authority for 30 year amortization of newly created unfunded liability.	Sec. 102	Civil Service and Foreign Service, P.L. 91-93 & P.L. 91-201	None

TAB

B

## OLD PROPOSALS

- Adopt the more liberal Foreign Service provision relating to salary retention when an annuitant is reemployed by the Government (full salary plus annuity up to former CIA salary).  
The Civil Service based rule in our Act pays full annuity and reduces the new salary by the amount of the annuity.
- Authorize a retiree's annuity to commence the day after separation, like Civil Service, rather than the first day of the month following separation.
- The remaining four old proposals enlarge the definition of the term "child" and clarify the termination and commencement date of a child's annuity to conform to changes approved for the Civil Service system during the 89th Congress.

TAB

C

NEW PROPOSALS

- Increase the number of retirements authorized.

(The present limit  which applies only to the period 1 July 1969 to 30 June 1974 probably will be reached in last half of 1972.)

25X1

- Adopt the more liberal Civil Service provision for crediting prior civilian service not subject to deductions (option to credit service with small reduction in annuity). The Foreign Service based rule in our Act requires payment to cover deductions and interest due or forfeiture of the time involved.

TAB

D

## FUNDING PROPOSALS

*N.B.  
Mr. F. M. ...  
30 June 69  
28 million principal  
5 million interest  
- Harvey*

Immediately increase the CIA Fund by the transfer of some \$20 million from the Civil Service Fund, representing the Government contribution paid principally by this Agency on behalf of employees whose benefits now will be paid out of the CIA Fund and not the Civil Service Fund. The Government's contribution would also follow the employee when he transferred from the CIA system to another Federal-salary retirement system. This proposal also has been cleared twice by the Civil Service Commission and the Bureau of the Budget. (It was transmitted to the 89th and 90th Congresses, and favorably acted upon by the House in the 89th Congress.)

- Adopt the same comprehensive funding program enacted for the Civil Service and Foreign Service systems by the 91st Congress, authorizing:

a. Direct transfer by Treasury to the Fund of interest on unfunded liability (excess of present and prospective obligations over present and prospective assets); and the cost of annuity payments attributable to military service.

b. Appropriation authorization for 30 year amortization of newly created unfunded liability (resulting from future statutory benefit liberalization or salary increase).

Payment of interest on unfunded liability and military credit payments will extend the solvency of the Fund from 1990 to 2033. The transfer of Government contributions to the Fund would extend solvency for 16 years to 2049. This suggests a need for supplemental funding in addition to the proposed program, which the Director of Finance proposes to review when the next actuarial study is completed in 1974.

An alternative to the foregoing proposals would be to rely upon the annual appropriations to maintain the Fund on a sound basis. This approach, however, has serious drawbacks. It would subject the payment of annuities to the annual appropriations process. It would also introduce a substantial, inflexible, annual item into our appropriations by 1990, beginning at about [ ] and rising quickly to about [ ] in 2008.

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM: Legislative Counsel  
Rm 7D43  
Hqs

EXTENSION NO.

DATE

STAT

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Executive Dir.-Compt.  
Rm 7D59 Hqs

6/25

Lkw/6/8

This memorandum explains the legislative package we propose to send to the Bureau of the Budget for clearance.

2.

DCI

Signature

6/26

3.

GLC

The package also responds to BOB's pending request for information and recommendations on financing of the system. You may wish to have John Clarke pass on to the International Programs Division the funding information being sent to Legislative Reference, BOB.

4.

5.

6.

7.

If you wish, Bob Bannerman and I will be glad to accompany you when you see the Director to obtain his approval.

8.

9.

10.

11.

12.

13.

14.

15.

John M. Maury

<b>TRANSMITTAL SLIP</b>		DATE 27 June 70
TO: OLC		
ROOM NO.	BUILDING	
REMARKS:  The letters to Agnew and McCormac were <u>NOT</u> dated in Executive Registry.		
FROM: ER/Eunice		
ROOM NO.	BUILDING	
FORM NO. 241 1 FEB 55		REPLACES FORM 36-8 WHICH MAY BE USED. (47)

STAT

BOB Package (yellow tab attached) sent  
to Rommel on 26 June 1970.